

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-05 L-01

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

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E.O. 11652: N/A

TAGS: ETRD ENRG EFIN TECH GW UR

SUBJECT: NEW USSR-FRG ECONOMIC COOPERATION AGREEMENT

REF: A) MOSCOW 16089; B) BONN 16622

1. SUMMARY. SOVIET PRESS HAS GIVEN NEW FRG-USSR ECONOMIC COOPERATION AGREEMENT UNUSUALLY PROMINENT PLAY. ALTHOUGH ACCORD, SIGNED DURING RECENT MOSCOW VISIT OF CHANCELLOR SCHMIDT, CONTAINS NO SPECIFIC MENTION OF MFN, IN COMPREHENSIVE, DETAILED COVERAGE OF CURRENT FRG-SOVIET ECONOMIC ACTIVITIES, IT STRESSES SUCH "NEW FORMS" OF SOVIET BILATERAL ECONOMIC RELATIONS WITH WESTERN COUNTRIES AS LONG-TERM ENERGY AND INDUSTRIAL COOPERATION AGREEMENTS, TECHNOLOGY AND LICENSING EXCHANGES. END SUMMARY

2. SOVIET PRESS PLAY FOR FRG-USSR ECONOMIC COOPERATION AGREEMENT CONCLUDED AS SUB-AGREEMENT TO EXISTING TEN-YEAR
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PROTOCOL, AND SIGNED DURING RECENT VISIT OF CHANCELLOR

SCHMIDT, HAS BEEN UNUSUALLY HEAVY. FULL TEXT OF COMMUNIQUE WAS PUBLISHED IN BOLD PRINT ON FIRST PAGE OF BOTH PRAVDA AND IZVESTIYA FOR NOVEMBER ONE. FULL TEXT WAS ALSO CARRIED WITHOUT COMMENT AS LEAD ARTICLE IN RECENT ISSUE OF TASS VESTNIK ECONOMIC-COMMERCIAL NEWSLETTER, WHICH HAS BECOME ONE OF LEADING SOURCES FOR OFFICIAL ECONOMIC INFORMATION IN MOSCOW.

3. WE ASSUME EMBASSY BONN WILL HAVE GERMAN AND ENGLISH-LANGUAGE TEXT OF AGREEMENT WHICH WAS SIGNED BY BREZHNEV, GROMYKO, SCHMIDT AND GENSHER. REVIEWING RUSSIAN-LANGUAGE VERSION OF TEXT, WE FIND THAT IT GENERALLY FOLLOWS POINTS MENTIONED TO US BY FRG ECONOMIC OFFICER ABOUT TWO WEEKS AGO AND REPORTED REFTEL A. HOWEVER, ALTHOUGH FRG EMBASSY HERE HAD TENDED TO DOWNPLAY IMPORTANCE OF AGREEMENT, SOVIET TREATMENT INDICATES OBVIOUS EFFORT TO PLAY IT UP NOT ONLY AS IMPORTANT "ECONOMIC" BILATERAL BUT ALSO AS FURTHER, OFFICIAL AFFIRMATION OF BOOM IN FRG-USSR ECONOMIC RELATIONS--WHICH--TO USE FAVORITE SOVIET TERMINOLOGY--ARE NOW ASSUMING "NEW FORMS" WHICH GO BEYOND USUAL BILATERAL TRADE EXCHANGES. EXAMPLES OF THESE NEW FORMS ACCORDING TO SOVIET MEDIA, ARE, APPARENTLY, VERY LONG-TERM CONTRACTS FOR DELIVERY OF NATURAL GAS IN EXCHANGE FOR PIPE, CONSTRUCTION BY MANNESMANN OF SPECIAL PLANT FOR SOVIET ORDERS, ESTABLISHMENT IN FRG OF JOINT SOVIET-FRG COMPANIES FOR MARKETING OF SOVIET RAW MATERIALS AND PRODUCTS, AND POSSIBILITY OF JOINT RAW MATERIAL DEVELOPMENT PROJECTS IN USSR.

4. CITING THREE PREVIOUS FRG-SOVIET AGREEMENTS--APRIL 25, 1958 FOR TRADE AND NAVIGATION; AUGUST 12, 1970 FOR ECONOMIC, INDUSTRIAL AND TECHNICAL COOPERATION; AND MAY 19, 1973 TEN-YEAR AGREEMENT ON ECONOMIC, INDUSTRIAL AND TECHNICAL COOPERATION--IN TWELVE ARTICLES, NEW ACCORD CALLS FOR:

1) EXPANDING COOPERATION IN AREAS PROMISING MOST FAVORABLE OPPORTUNITIES FOR MUTUAL ADVANTAGE TO ACHIEVE "HIGHEST POSSIBLE LEVEL" OF ECONOMIC RELATIONS;

2) CONSIDERING INTERESTS OF MEDIUM AND SMALL ENTERPRISES;

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3) GRANTING MOST FAVORABLE MEDIUM AND LONG-TERM CREDITS POSSIBLE WITHIN EXISTING REGULATIONS OF EACH STATE;

4) PROMOTING INDUSTRIAL COOPERATION INCLUDING JOINT PRODUCTION;

5) ENCOURAGING LONG-TERM CONTRACTS FOR FUEL AND

ENERGY PRODUCTION;

6) ENCOURAGING EXCHANGES OF PATENTS, LICENSES, "KNOW-HOW," TECHNOLOGY, VISITS OF TECHNICAL SPECIALISTS, CONTINUING SUCH EXCHANGES AFTER AS WELL AS DURING PERIODS CREDITS ARE PAID OFF;

7) DISCUSSING LONG-TERM PROJECTS BY JOINT ECONOMIC COMMISSION;

8) FACILITATING BUSINESS AND COMMERCIAL CONTACTS
(COMMENT: TAKING PAGE FROM AMERICAN BOOK, ITEMS COVERED INCLUDE PRINCIPAL POINTS MADE I PETERSON-PATOLICHEV LETTERS OF OCTOBER 18, 1972 END COMMENT);

9) ANNUAL MEETING TO REVIEW EFFECTIVENESS OF AGREEMENT;

10) APPLICATION TO EST BERLIN IN CONFORMITY WITH SEPT 3, 1971 FOUR-POWER AGREEMENT;

11) INTERPRETATION OF NEW AGREEMENT AS "NOT AFFECTING" PRIOR BILATERAL AND MULTILATERAL ACCORDS BETWEEN FRG AND USSR;

12) AGREEMENT TO REMAIN EFFECTIVE THROUGH DURATION OF MAY 19, 1973 AGREEMENT, WITH BOTH SIDES TO CONSULT ON RENEWAL NOT LESS THAN SIX MONTHS BEFORE EXPIRATION.

5. ARTICLE 11 APPARENTLY SOLVES QUESTION OF LEAVING MFN PROVISION OF 1958 TRADE AND MARITIME AGREEMENT IN FORCE (PARA 5 REF A AND PARA 3 REF B) WITHOUT EXPLICIT CONFIRMATION IN TEXT. EMBASSY UNDERSTANDS LETTER FROM HERMES ALONG LINE INDICATED PARAS 4 AND 5 REF B WAS GIVEN TO SOVIETS DURING LIMITED OFFICIAL USE

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SCHMIDT'S VISIT, BUT WE HAVE NOT YET HAD OPPORTUNITY CONSULT WITH FRG EMBASSY MOSCOW REGARDING INTERPRETATION OF DETAILS NEW AGREEMENT.
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